

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08

TRSE-00 LAB-06 SIL-01 OMB-01 SS-15 NSC-10 L-03 H-03

DODE-00 PA-03 USIA-15 PRS-01 AGR-20 AF-10 NEA-10

SAJ-01 RSR-01 /195 W

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R 171750Z AUG 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3430

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

C O O D D I D E N T I A L SECTION 01 OF 03 LONDON 09538

E.O. 11652: GDS

TAGS: EGEN, EEC, UK

SUBJECT: BRITAIN AND THE EUROPEAN COMMUNITY AT THE
SUMMER BREAK

REF: (A) LONDON 6865; (B) LONDON 8883; (C) LONDON 9182;
(D) LONDON 7825; (E) LONDON 8620; (F) LONDON A-1007

BEGIN SUMMARY. THE BRITISH GOVERNMENT CONTINUED TO
MAKE ITS MARK ON COMMUNITY DECISION-MAKING IN THE WEEKS
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BEFORE THE AUGUST HOLIDAYS. AT THE SAME TIME, HOWEVER,

SOME OF THE UNDERLYING PROBLEMS OF EC MEMBERSHIP BEGAN TO SURFACE IN THE UK. ONE PROBLEM IS THE LARGE NET CONTRIBUTION THAT BRITAIN HAS TO MAKE TO THE EC BUDGET. THIS CONTRIBUTION CAN INCREASE SUDDENLY AS A RESULT OF THE AUTOMATIC OPERATION OF THE CAP, WHEREAS ADDITIONAL RECEIPTS CAN ONLY BE OBTAINED AFTER LONG, HARD BARGAINING WITH THE OTHER MEMBER STATES. ANOTHER PROBLEM IS THE RISING COST OF FOOD, WHICH IS INACCURATELY (AT LEAST FOR THE TIME BEING) ASSOCIATED IN THE PUBLIC MIND WITH EC MEMBERSHIP. THESE PROBLEMS ARE NOT NEW, BUT THEY ARE GETTING MORE ATTENTION IN THE BRITISH PRESS AND IN PARLIAMENT AS THE NOVELTY OF EC MEMBERSHIP WEARS OFF. OVER THE PAST FEW MONTHS, PUBLIC OPINION HAS, IF ANYTHING, BECOME SLIGHTLY MORE HOSTILE TOWARD THE COMMUNITY. THE GOVERNMENT'S ABILITY TO KEEP CONCERN OVER THESE PROBLEMS WITHIN MANAGEABLE PROPORTIONS WILL DEPEND, AT LEAST IN PART, ON ITS PERFORMANCE AT THE EC BARGAINING TABLE. THE MAIN PROBLEM WILL BE FRANCE, WHICH OFTEN STANDS IN THE WAY OF BRITISH OBJECTIVES. MOST BRITISH OFFICIALS CONSIDER THAT THE MOST EFFECTIVE WAY TO DEAL WITH THE FRENCH IS NOT BY ACCEDING TO THEIR WISHES, BUT BY PERSISTENTLY PURSUING BRITISH AND OVERALL COMMUNITY INTERESTS WHILE AVOIDING OPEN ANGLO-FRENCH CONFRONTATIONS. THE UK CAN BE EXPECTED TO FOLLOW THIS APPROACH THIS FALL WHEN THE COMMUNITY CONSIDERS KEY ISSUES LIKE THE REFORM OF THE CAP, THE ESTABLISHMENT OF A REGIONAL DEVELOPMENT FUND, AND THE FUTURE OF ECONOMIC AND MONETARY UNION. BY CONTINUING TO DEMONSTRATE THAT BRITAIN HAS A MAJOR SAY IN THE SHAPING OF COMMUNITY POLICIES, THE GOVERNMENT WILL BE IN A BETTER POSITION TO CONTAIN THE PUBLIC CONCERN OVER THE VARIOUS SHORT-TERM PROBLEMS OF MEMBERSHIP. END SUMMARY.

1. AFTER A HECTIC JULY, THE BRITISH OFFICIALS WHO WORK ON EC MATTERS ARE NOW ENJOYING ONE OF THE MORE AGREEABLE FRINGE BENEFITS OF EC MEMBERSHIP - A LONG SUMMER HOLIDAY. CABINET OFFICE AND FCO OFFICIALS WERE DELIGHTED WITH THE OUTCOME OF THE COMMUNITY'S JULY 25-26 SESSION WITH THE YAOUNDE ASSOCIATES AND COMMONWEALTH ASSOCIATES. THE COMMUNITY'S OPENING POSITION WAS CONFIDENTIAL

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FLEXIBLE ENOUGH (ESPECIALLY ON RECIPROCITY) TO ATTRACT A MAXIMUM NUMBER OF COMMONWEALTH COUNTRIES TO THE NEGOTIATING TABLE, AND THE ANGLOPHONE AFRICAN STATES PLAYED A MAJOR ROLE AT THE MEETING. BRITISH OFFICIALS NOTE WITH SATISFACTION (AS WELL AS CONCERN OVER FRENCH SENSIBILITIES) THAT ENGLISH WAS USED FOR ALL THE STATEMENTS MADE DURING THE OFFICIAL PROCEEDINGS.

2. THE BRITISH ARE ALSO PLEASED THAT THE ISSUE OF RECIPROCITY HAS BEEN LEFT OPEN FOR THE TIME BEING IN THE COMMUNITY'S NEGOTIATIONS WITH MOROCCO, TUNISIA AND ALGERIA. THE UK HOPES THAT ONCE A POLICY OF NON-RECIPROCITY IS FIRMLY ESTABLISHED IN THE NEGOTIATIONS WITH THE YAOUNDE ASSOCIATES AND COMMONWEALTH ASSOCIABLES, IT CAN BE APPLIED TO THE MAGHREB AS WELL.

3. BRITISH OFFICIALS ARE LESS SATISFIED WITH THE OVERALL APPROACH THAT THE COMMUNITY ADOPTED FOR THE MTN. THE INITIAL COMMISSION DRAFT THAT WAS PROPOSED BY SOAMES REFLECTED BRITISH VIEWS, AND UK OFFICIALS BELIEVE THAT MOST OF THE CHANGES WHICH THE COUNCIL MADE IN THIS DRAFT WERE PRESENTATIONAL RATHER THAN SUBSTANTATIVE.

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DODE-00 PA-03 USIA-15 PRS-01 AGR-20 AF-10 NEA-10

SAJ-01 RSR-01 /195 W

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R 171750Z AUG 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3431

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

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THE BRITISH CONCEDE, HOWEVER, THAT HARD FRENCH BARGAINING RESULTED IN A MORE RIGID POSITION ON AGRICULTURE THAN THEY WOULD HAVE LIKED.

4. ON 24.6, THE UK HAS BEEN WORKING HARD FOR A COMMUNITY OFFER THAT WOULD BE ACCEPTABLE TO THE UNITED STATES. IT HAS BEEN URGING THE COMMISSION TO ADD CITRUS AND TOBACCO TO ITS LIST OF CONCESSIONS. ON THIS ISSUE, HOWEVER, IT IS TOO EARLY TO PREDICT EITHER DEFEAT OR VICTORY.

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5. ALTHOUGH THE BRITISH GOVERNMENT HAS CONTINUED TO EXERT ITS INFLUENCE ON COMMUNITY POLICIES IN THIS WAY, THE NOVELTY OF EC MEMBERSHIP HAS BY NOW WORN OFF IN THE UK, AND SOME OF THE UNDERLYING ECONOMIC AND POLITICAL PROBLEMS OF MEMBERSHIP ARE COMING TO THE SURFACE. FOR EXAMPLE, THE GOVERNMENT RECEIVED ROUGH TREATMENT FROM BOTH SIDES IN THE HOUSE OF COMMONS DEBATE ON JULY 25 (REF E) OVER THE NEED TO INCREASE THE UK'S CONTRIBUTION TO THE EC BUDGET FOR THE CURRENT YEAR FROM AROUND \$312.5 MILLION TO AN ESTIMATED \$395 MILLION. (THE UK STANDS TO GET BACK LESS THAN HALF OF THIS AMOUNT IN RECEIPTS FROM THE COMMUNITY.) MOST OF THE INCREASE RESULTED FROM THE AUTOMATIC OPERATION OF THE COMMON AGRICULTURAL POLICY. ANY SIGNIFICANT INCREASES IN RECEIPTS, ON THE OTHER HAND (FROM AN EXPANDED SOCIAL FUND, FOR EXAMPLE, OR AN EC REGIONAL FUND), CAN ONLY BE OBTAINED BY LONG, HARD BARGAINING WITH THE OTHER MEMBER STATES. THE UK IS THUS TRAPPED BETWEEN AUTOMATIC INCREASES IN PAYMENTS AND THE NEED TO FIGHT FOR INCREASED RECEIPTS, AND WILL FACE THIS SITUATION FOR SOME TIME. OFFICIALS POINT OUT THAT A SUBSTANTIAL BRITISH NET CONTRIBUTION TO THE COMMUNITY WAS FORESEEN AND MADE CLEAR TO THE PUBLIC IN THE WHITE PAPER ON MEMBERSHIP THAT WAS SUBMITTED IN JULY OF 1971. THEY AGREE, HOWEVER, THAT FOREKNOWLEDGE HAS NOT DULLED PUBLIC CRITICISM.

6. ANOTHER PROBLEM IS THE SHARP INCREASE IN WORLD FOOD PRICES WHICH HAS OCCURRED COINCIDENTALLY WITH BRITAIN'S ENTRY INTO THE COMMUNITY. THIS HAS HURT THE GOVERNMENT IN ITS EFFORT TO WIN POPULAR SUPPORT FOR MEMBERSHIP. THE GOVERNMENT HAS POINTED OUT REPEATEDLY THAT THE HIGH COST OF FOOD IS DUE MAINLY TO WORLD MARKET CONDITIONS,

AND NOT TO THE INITIAL STEPS THAT THE UK HAS TAKEN TO
ALIGN ITS AGRICULTURAL PRICES WITH THOSE OF THE
COMMUNITY. INFLATION NEVERTHELESS CONTINUES TO BE
ASSOCIATED IN THE PUBLIC MIND WITH EC MEMBERSHIP, AND THE
ANTI-MARKETEERS IN THE LABOUR PARTY DO WHAT THEY CAN TO
EXPLOIT THIS IDEA. IN A COMMONS DEBATE ON JULY 18, FOR
EXAMPLE, DOUGLAS JAY CLAIMED: "THE GOVERNMENT'S COMPLETE
SURRENDER TO ALL THE ABSURDITIES OF THE COMMON
AGRICULTURAL POLICY HAS BEEN A MAJOR CAUSE OF THE PRESENT
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UNNECESSARILY HIGH COST OF FOOD."

7. THE BUDGET CONTRIBUTION AND HIGH FOOD PRICES ARE THE
ISSUES THAT HAVE RECEIVED THE MOST ATTENTION RECENTLY,
BUT THEY ARE NOT THE ONLY MATTERS OF CONCERN. OTHERS
INCLUDE THE LIKELIHOOD THAT THE COMMUNITY
WILL ATTEMPT TO RESTRICT THE UK'S FREEDOM TO CONTINUE
TO FLOAT THE POUND, THE ANOMALY OF SUBSIDIZING SALES OF
EC BUTTER TO THE SOVIET UNION WHILE THE COST OF BUTTER
REMAINS HIGH FOR THE BRITISH HOUSEWIFE; THE PROSPECT OF
HEAVY CONTINENTAL TRUCKS ON BRITISH ROADS; AND THE
POSSIBILITY THAT THE BEER AT THE LOCAL PUB OR THE MILK

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SAJ-01 RSR-01 /195 W

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R 171750Z AUG 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 3432
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
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IN A CUP OF TEA MAY SOMEHOW BE CHANGED AS A RESULT OF EC
HARMONIZATION POLICIES.

8. THESE CONCERNS HAVE BEEN REFLECTED IN RECENT ARTICLES
IN THE BRITISH PRESS - FOR EXAMPLE THE FALSE REPORT IN
THE "SUNDAY TIMES" THAT BRITISH OFFICIALS IN BRUSSELS
HAD CONCLUDED THAT EC MEMBERSHIP WAS A "NEAR DISASTER"
FOR THE UK (REF B), OR SAMUEL BRITTAN'S CHANGE OF HEART
ON THE BENEFITS OF MEMBERSHIP (REF C). THE CONCERNS WERE
ALSO REFLECTED IN A RECENT PUBLIC OPINION POLL WHICH
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SHOWED AN INCREASE IN OPPOSITION TO EC MEMBERSHIP (REF
D).

9. THERE IS NOTHING NEW ABOUT THE REAL AND IMAGINED
PROBLEMS THAT LIE BEHIND THESE CURRENT CONCERNS. MANY
OF THEM WERE ANTICIPATED IN THE WHITE PAPER ON
MEMBERSHIP. IN COMING MONTHS, THE GOVERNMENT'S ABILITY
TO KEEP THE PUBLIC CONCERN OVER THE EC WITHIN MANAGEABLE
PROPORTIONS WILL DEPEND, AT LEAST IN PART, ON HOW WELL
IT FARES AT THE COMMUNITY BARGAINING TABLE.

10. RELATIONS BETWEEN THE UK AND FRANCE IN THE EC
FRAMEWORK WILL BE OF CRITICAL IMPORTANCE, AS FRANCE IS
THE COUNTRY THAT USUALLY STANDS IN THE WAY OF THE
ACHIEVEMENT OF KEY BRITISH OBJECTIVES. MOST BRITISH
OFFICIALS CONSIDER THAT THE MOST EFFECTIVE WAY TO DEAL
WITH THE FRENCH IS NOT BY ACCEDING TO THEIR WISHES, BUT

BY THE PERSISTENT PURSUIT OF BRITISH AND OVERALL
COMMUNITY INTERESTS, WHILE AVOIDING OPEN ANGLO-FRENCH
CONFRONTATIONS. THIS APPROACH WORKED EARLIER THIS YEAR
ON AGRICULTURAL PRICES AND LDC ASSOCIATION. THE UK CAN
BE EXPECTED TO APPLY IT TO THE MAJOR ISSUES ON THE
COMMUNITY'S AGENDA FOR THE FALL: THE REFORM OF THE CAP,
THE CREATION OF AN EC REGIONAL FUND, AND THE FUTURE OF
ECONOMIC AND MONETARY UNION. IF THE GOVERNMENT CAN
CONTINUE TO DEMONSTRATE THAT IT HAS A MAJOR SAY IN THE
SHAPING OF EC POLICIES, IT WILL BE IN A BETTER POSITION
TO CONTAIN PUBLIC CONCERN OVER THE INEVITABLE SHORT-TERM
PROBLEMS OF MEMBERSHIP.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON09538
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS SOHM
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1973/newtext/t19730831/aaaaawwu.tel
Line Count: 345
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) LONDON 6865; (B) LONDON 8883; (C,) LONDON 9182;
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 13 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Jul-2001 by worrelsw>; APPROVED <19-Sep-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRITAIN AND THE EUROPEAN COMMUNITY AT THE SUMMER BREAK
TAGS: EGEN, UK, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005